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## **Latin America**

## **Retail Food Sector**

## **Consumer-Ready Food Sector in Latin America**

## **2001**

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### **Report Highlights:**

**Latin America is about a \$10-12 billion market for imported consumer-ready food products. An estimated seventy percent of consumer-ready products is sold in the retail food sector. This report provides a regional overview of the consumer-ready food sector in Latin America based on reports submitted by FAS offices in the region.**

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Includes PSD changes: No  
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**Overview:** Latin America offers significant and growing export opportunities for U.S. consumer-ready foods (snack foods, frozen fruits and vegetables, and processed meats, etc) as demand for these products increase throughout the region. The growth in demand can be attributed to, for example, a move away from the traditional grocery markets to a modern food

#### Markets for Best Products

Cheese: Brazil, the Caribbean Islands, Chile and Guatemala

Beef: Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico and Panama,

Dairy: Argentina, the Dominican Republic, Mexico

Fresh&Dried Fruits/Veg: Argentina, Brazil, Chile, Guatemala, Mexico, Peru

Microwave Popcorn: Argentina, Brazil, Chile, Ecuador, Mexico

Pet Food: Argentina, Chile, Colombia, Costa Rica, the Caribbean Islands, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico and Peru

Poultry: El Salvador, Guatemala, Haiti, Honduras, Mexico and Venezuela

Processed Meat: Argentina, Caribbean Islands, Colombia, Costa Rica, Jamaica, Nicaragua and Panama

Processed Products: Argentina, Costa Rica, Nicaragua, Panama, Peru, Trinidad and Venezuela

Snack Foods: Argentina, Brazil, Caribbean Islands, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama and Peru

retail industry, providing convenience to the more hurried lifestyle now seen in the region. In addition, a developing hotel, restaurant and food service (HRI) sector is emerging, creating a larger, more diverse market for high value food products. American companies are benefitting from these changes, as well as, from media influences, especially cable television, and increased travel between Latin America and the United States.

Latin America is about a \$10-12 billion market for imported consumer-ready food products. In general, an estimated seventy percent of consumer-ready products is sold in the retail food sector. In addition, the HRI sector is expanding as more countries develop their tourist industry and increase their number of four and five star hotels. Finally, there also are growing opportunities for food ingredients in the expanding processing industry in several South American countries.

This report provides a regional overview of the consumer-ready food sector in Latin America and is based primarily on reports submitted by FAS agricultural offices in the region. For this report, Latin America has been divided into four sub-regions: South America (Argentina, Brazil, Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela); Central America (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama); the Caribbean Basin (the Caribbean Islands, the Dominican Republic, Haiti, and Jamaica); and Mexico.

**Market Characteristics:** The United States has about a 28 percent market share (even higher in some areas) of the estimated \$10-12 billion Latin American consumer-ready import food market. U.S. suppliers face stiff competition from local and regional producers, as well as

from European multinational companies (Carrefour, Ahold).

Within the region, Mexico is the leading market for U.S. consumer-ready product, with exports reaching over \$2 billion in 1999. Central America and the Caribbean Basin, although primarily comprised of the smaller countries, offer some of the regions greatest growth potential for U.S. consumer-ready food products as these markets have begun to modernize their food industry. Combined, U.S. consumer-ready food exports to these markets reached record levels as they climbed to nearly \$1.0 billion in 1999.

In contrast, U.S. consumer-oriented exports to some South American countries have fallen over the last five years, reaching just under \$400 million in 1999. The decline of exports to South America can be partially attributed to the well-developed food industry in the southern cone (Brazil, Argentina and Chile) and to the MERCOSUR trade agreement. These two factors have allowed the southern cone to develop a strong local processing sector with an increasing presence of U.S. and E.U. multinational companies, one characteristic of a more advanced food industry. Secondly, these countries trade goods more freely among fellow members. Still, South America offers strong market potential for U.S. food products, especially ingredients, due to its large population (Brazil alone is home to 170 million people - one third of all of Latin American habitants) and a sophisticated food industry.

Why do some of the smaller Latin American markets offer excellent opportunities for U.S. suppliers? One reason is that Central American and the Caribbean Basin markets are undergoing drastic changes as they move away from traditional wet markets to a modern retail industry. In turn, this has opened these areas to greater influence from U.S. media. In addition and perhaps more important, consumers are being introduced to new U.S. products and are better able to purchase them as travel between the United States and the Central American and Caribbean Basin regions increases, and as remittances from relatives working in the United States augments income levels. As a result, consumers in Central America and the Caribbean Basin depend on imports to provide the quality and variety of processed food products which are not yet available from local producers.

In contrast, South American countries have been heavily influenced by Europe. With the early presence of the European retail industry (French retailer Carrefour first entered Brazil in 1976), South America got a head start

### Regional Highlights

Mexico: 3<sup>rd</sup> largest market for U.S. consumer-ready foods worldwide. U.S. exports reached over \$2 billion in 1999.

Brazil: Most populous Latin American country. Demand for U.S. foods has declined in the last five years, but still ranks among the top markets for U.S. consumer-ready foods.

Central America: Largest growing Latin American market for U.S. consumer-oriented foods. Exports to the area reached \$334 million in 1999, nearly double from five years earlier.

Argentina & Chile: Well-developed food processing and retail sectors. Intermediate and specialty items best prospects for U.S. suppliers.

Colombia: Sluggish investment, still, a leading market for U.S. consumer-ready exports. Developed retail industry, with multinationals entering into the market.

Venezuela: Continued high preference for U.S. products despite sluggish economy. 3<sup>rd</sup> largest market in Latin America for U.S. high value food exports.

in modernizing its food industry and, consequently has a well developed food processing sector. Thus, local producers are able to provide the quality food products their local consumers are increasingly demanding thereby reducing import demand. Nevertheless, there are good market opportunities in the region for U.S. specialty food items, as South American buyers and customers become more aware of the high quality and wide variety of these products.

An estimated 70 percent of consumer-ready food products imported to Latin America are sold in retail outlets such as convenience stores (neighborhood “mom & pop” shops), supermarkets (stores with more than five cash registers) and hyper-markets (one-stop shopping). In South America, major European multinational companies, such as Carrefour (French) and Royal Ahold (Dutch), Wal-Mart (U.S.) and national chains specializing in supermarket and hypermarket formats have saturated the food retail markets of major cities and now are entering into the smaller markets in Central America and the Caribbean Basin where they see growth opportunities. For example, Carrefour recently opened an outlet in Santo Domingo and Ahold recently merged with Guatemala’s largest supermarket chain, family owned Paiz. Not only are retailers expanding in size, they also are increasing their selection of food products, especially specialty items and private label, to differentiate themselves from competitors and promote brand loyalty.

The HRI sector also offers tangible opportunities for imported food products. Food imports currently account for five to seven percent of food and beverages used in the HRI sector and are expected to increase with the changing needs of the Latin consumer. As daily schedules become more hectic, especially among young professionals and two income families, local consumers have less time to prepare meals and often select to eat out, or use delivery food services. U.S. restaurant chains, primarily fast-food, have made their way into Latin America and are expanding operations. In addition, upscale hotels also offer market opportunities for U.S. suppliers. Although restaurants generally prefer to buy products based on lowest price rather than quality, and therefore source locally, upscale restaurants and four and five star hotels catering to the tourist and business industry use more imported foods to diversify their menus and keep high, constant quality standards. This trend is expected to continue as countries increase their tourist and business industries.

**Constraints/Opportunities:** Below are the most common constraints and opportunities facing potential U.S. food exporters to Latin America, as reported by FAS field offices in the region:

**Opportunities:**

- ☐ U.S. food products are widely viewed as high in quality and very safe
- ☐ Close proximity of Latin American markets to the United States
- ☐ No serious anti-import sentiment
- ☐ Growing influence of U.S. culture through travel, study, and media
- ☐ Competitiveness and excellent quality of U.S. convenience food

**Constraints:**

- ☐ Consumers are very price sensitive and brand loyal
- ☐ Lack of knowledge among food servers, managers and buyers regarding the proper handling and presentation of U.S. products

- Ⓒ Lack of knowledge among buyers and importers regarding the diversity of U.S. products
- Ⓒ Lack of knowledge among U.S. exporters of marketing opportunities in the region
- Ⓒ “Habit” of buying from Europe (South America)

In general, Latin American consumers perceive U.S. products as consistently high in quality and safe, which helps create a preference for U.S. foods imports. The influence of American culture, to include food and eating habits, has grown in the region through increased travel, study and media. In addition, the close proximity of Latin American markets to the United States facilitates travel between the regions and, hence, face-to-face contact between buyer and seller. Such contact reportedly is critical to marketing success in Latin America, especially for new-to-market products. Suppliers that meet directly with their customers tend to succeed more than those who do not.

Unfortunately, U.S. foods are sometimes perceived as expensive, and in a region that is price conscious, this perception obviously can limit sales opportunities. Latin American consumers also are brand loyal, which can further complicate market entry. New products may encounter resistance from consumers uncomfortable reaching for an enticing, but unfamiliar brand.

Another constraint facing U.S. food sales in Latin America is that purchasing managers, importers and distributors may not be familiar with the various uses of U.S. foods and therefore, may not present and promote the products to their fullest potential. In the HRI sector, food and beverage managers and chefs may simply be unaware of the different preparation techniques for U.S. food products or how best (economically) to use these products in various dishes. Also, the region’s food infrastructure (cold storage, transportation/distribution and handling methods) is still developing which makes it difficult to guarantee that products consistently reach their destinations in optimal condition.

Finally, U.S. companies limit their export opportunities by failing to learn enough about the region to make informed decisions. Successful market penetration requires significant preliminary work. Learning about local market trends, how food buying decisions are made, import regulations, labeling requirements and in general, how business is done in the region are all essential to success. For example, as noted earlier, face-to-face contact is very important to business contacts in the region.

In sum, diversity, high quality and safety are three characteristics associated with U.S. food products that can be effectively used in marketing strategies in Latin America. But, there are several constraints that must be addressed to successfully market U.S. food products in the region.

**Market Assistance:** As noted earlier, meeting face-to-face with prospective customers is essential to conducting business in Latin America. To facilitate such contact, FAS offices in the region regularly organize U.S. participation at various local trade shows and lead buying missions to shows in the United States. Such

#### Common HRI Activities

- \* Trade Shows
  - Americas Food & Beverage
  - Fancy Food Show
  - NRA
- \* Menu Promotions
- \* Buying Missions
- \* Cochran Training/Seminars
  - Meat Handling
  - Waiter Training Course
  - Gourmet Food Utilization Course

activities have succeeded in introducing new-to-market U.S. products into Latin American markets.

The following U.S.- based shows reportedly draw large numbers of food industry representatives from Latin America: Food Marketing Institute show, National Restaurant's Association show, Produce Marketing Association show, The Fancy Food Show and the America's Food and Beverage Show.

Many FAS offices also organize educational seminars to educate importers, food handlers, and food and beverage managers, among others, on the proper handling and presentation of U.S. high value food products. In addition to overcoming a chief constraint to U.S. food products, such seminars are ideal for introducing new-to-market products to key decision makers. Examples of training seminars include waiter training, meat handling and gourmet food utilization. These and other training activities are funded using post market development funds and funding provided under the U.S. Cochran Fellowship Program.

FAS offices in Latin America also organize supermarket and menu promotions to improve local consumer, as well as, buyer knowledge about the wide variety and high quality of U.S. consumer-ready food products. During such promotions, prices of selected U.S. products are reduced, special displays highlighting U.S. products are created, cooking demonstrations are organized and free tasting and product samples are provided. In order to maximize the selling potential of U.S. brands, many of which may be unknown, promotions are often planned during major traditional U.S. holidays, such as Thanksgiving and July 4th.

There are 18 FAS field offices throughout Latin America dedicated to overcoming constraints to and strengthening opportunities for U.S. consumer-ready food products in the region. Toward this goal, FAS offices work with local and U.S. contacts to organize a wide variety of promotional activities. In addition, they publish various product and sector reports based on information obtained during meetings with a wide range of trade and government contacts.

**Summary:** The United States has about a 30 percent market share of the estimated \$10-12 billion Latin American consumer-ready imported food market. Latin America offers significant and growing export opportunities for U.S. consumer-ready food products as the retail and HRI sectors throughout the region continue to develop and modernize. The food retail industry is the largest sector for consumer ready foods, providing the most opportunity for U.S. companies, as retail outlets reach millions of consumers in the most populated cities and surrounding areas. In addition, countries are developing their tourism and HRI sectors, affording more opportunities for U.S. exports of consumer-oriented products.

Market opportunities vary by areas within the region and in some cases, by country. It is essential that companies looking to export to Latin America research the market and look at pertinent factors that can influence where to export, such as: size of the market in terms of sales, size of the urban population, consumer preference for U.S. products, traditional trading ties, cost of market entry, development of the retail industry, strength of the local food processing industry and sanitary and labeling requirements. These factors can help companies analyze success in a potential market. In addition, companies should read existing reports provided by FAS offices



overseas to gain a better understanding of culture, business nuisances, and consumer habits.

FAS field offices have identified several chief opportunities for U.S. food exports to Latin America. While this report is a general overview of the region, companies looking to export to Latin America must also be aware that not all countries share the same constraints and they each have individual characteristics. However, to overcome the most noted constraints, FAS overseas offices have also identified activities such as trade shows, missions and in-store promotions to assist in market penetration by U.S. companies which face strong competition from local producers and multinational food companies. A calendar of activities endorsed by the USDA or the overseas FAS offices is also available. U.S. companies interested in additional information on entering the Latin American market are encouraged to obtain the Country-Specific Product report, Retail, HRI & Food Processing reports, the Exporter Guide, and other market sector reports available on the FAS home pages at: [www.fas.usda.gov](http://www.fas.usda.gov).